TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 475 - HB 614

April 10, 2017

SUMMARY OF ORIGINAL BILL: Requires the Commissioner of the Department of Health (DOH) to report on the impact of the treatment guidelines developed pursuant to Tenn. Code Ann. § 63-1-401, on the abuse of opioids in Tennessee to the Health Committee of the House of Representatives and the Health and Welfare Committee of the Senate, on or before January 15, 2018. Requires the Commissioner to make recommendations for any needed legislation to address issues raised by opioid abuse.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (006505): Deletes all language after the enacting clause. Creates the *Opioid Baby Primary Prevention Act*. Requires the Bureau of TennCare, in consultation with the Comptroller of the Treasury, to establish by means of an amendment to an applicable contractor risk agreement, the contractual means for TennCare managed care organizations (MCOs) to operate a uniform statewide opioid baby primary prevention program to deliver a tailored educational service statewide to selected women in accordance with this section. Requires the MCOs participating in the TennCare program to begin the implementation of this program on or before January 1, 2018. Requires that the net audited prevention savings for opioid-affected births and their related expenses identified by the evaluator and realized by the MCO be re-allocated to expand spending for increased substance abuse treatment programs within the TennCare program minus the amount paid to the prevention services contractor under the pay for success (PFS) savings formula. Requires the prevention service contractor to bear all start-up and operation costs of the PFS program. Declares that the PFS program shall not require an increase in the TennCare capitated rate to the MCOs, or require any new spending by the MCOs beyond what is expected under the applicable current capitation rate. Requires an independent third-party evaluator, selected by the Comptroller, in consultation with the Bureau, the MCOs, and the prevention service contractor, to audit and verify the success of the program in reducing opioid-affected birth expenses on a quarterly basis.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Exceeds $347,000

Increase Federal Expenditures – Exceeds $435,000

Other Fiscal Impact – MCOs will not increase current capitation rates to implement the provisions of the proposed legislation; however, it assumed capitation rates will increase in future negotiations in order to cover the costs of the program.

Assumptions for the bill as amended:

- Based on information provided by the Bureau of TennCare (Bureau), it is estimated that the three MCOs will require an additional full-time position to execute and monitor the program contractor, as well as evaluate any savings the independent contractor, selected by the Comptroller of the Treasury, attributes to them for reimbursement.
- On average, across all three MCOs, salary and benefits for the additional employees will exceed $94,000 per employee; resulting in an increase in MCO expenditures exceeding $282,000 ($94,000 x 3 MCOs). Of the $282,000, approximately 34.395 percent will be state expenditures of $96,994 ($282,000 x 34.395%) and approximately 65.605 percent will be federal expenditures of $185,006 ($282,000 x 65.605%).
- It is assumed that the Bureau will be billed for services provided for an audit by an independent third-party evaluator on a quarterly basis, resulting in a recurring increase in TennCare expenditures estimated to be $500,000. Of the $500,000, 50 percent will be state expenditures of $250,000 ($500,000 x 50.0%) and 50 percent will be federal expenditures of $250,000.
- The total recurring increase in state expenditures is estimated to exceed $346,994 ($96,994 + $250,000).
- The total recurring increase in federal expenditures is estimated to exceed $435,006 ($185,006 + $250,000).
- It is assumed that the Bureau will redirect any savings to TennCare clinical spending priorities for substance abuse treatment and other related TennCare expenses.
- Based on information provided by the Comptroller of the Treasury, the provisions in the proposed legislation can be accommodated within existing resources.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue – Exceeds $782,000

Increase Business Expenditures – Less than $782,000

Jobs Impact – Not Significant

Assumptions for the bill as amended:

- The provisions of the legislation will result in 3 new jobs paid for by the Bureau of TennCare resulting in an increase in business revenue to the MCOs of approximately $282,000 and a corresponding increase in business expenditures of a like amount.
- The third-party evaluator will experience an increase in business revenue of $500,000 for audit services provided and a corresponding increase in business expenditures estimated to be less than $500,000 for providing such services.
- The total increase in business revenue is estimated to exceed $782,000 ($282,000 + $500,000). Any business revenues will exceed business expenditures in order for the business to remain solvent and profitable.
- Despite three additional positions resulting pursuant to this legislation, it is unknown if those positions will be filled by persons currently employed elsewhere in the Tennessee workforce or if they will be filled by persons currently employed outside of Tennessee. Any net impact to the number of jobs created in Tennessee as a result of this legislation is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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